



BARTEL
ASSOCIATES, LLC

**CITY OF REEDLEY
RETIREE HEALTHCARE PLAN**

June 30, 2019 Actuarial Valuation

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Bartel Associates, LLC

July 24, 2020

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BENEFIT SUMMARY

<p>■ Eligibility</p>	<p>■ Retire directly from the City under CalPERS with 10 years City service</p> <ul style="list-style-type: none"> ● 10 years not required for active with Tier 1 benefits; ● Future disability retirements assumed to require 10 years City service
<p>■ Tiers</p>	<p>■ Tier 1:</p> <ul style="list-style-type: none"> ● Current retirees age 55 before 10/24/2013 and; ● Current actives \geq age 55 at retirement and retiring $<$ 12/31/2016 <p>■ Tier 2:</p> <ul style="list-style-type: none"> ● Current actives \geq age 55 at retirement and retiring \geq 1/1/2017 <p>■ Tier 3:</p> <ul style="list-style-type: none"> ● Current actives hired or first becoming full time \geq 1/1/14 (not eligible for any City-paid retiree medical benefits)



BENEFIT SUMMARY

<p>■ Benefits Effective 1/1/14</p>	<p>■ Retiree pre-Medicare benefit:</p> <ul style="list-style-type: none"> ● Tier 1: Up to active contribution¹ ● Tier 2 with 10 years City service: Smaller of 50% of retiree premium or active contribution ● Tier 2 with 20 years City service: Smaller of 80% of retiree premium or active contribution <p>■ Dependent pre-Medicare benefit:</p> <ul style="list-style-type: none"> ● Tier 1: Up to \$500 per month total for all dependents ● Tier 2: Up to \$250 per month for only one dependent <p>■ Retiree and one dependent post-Medicare benefit:</p> <ul style="list-style-type: none"> ● Tier 1: 100% of City Medicare Supplement premium (less \$10 per month if outside of City plans: “Freedom of Choice”) ● Tier 2 with 10 years City service: Smaller of 50% of City Medicare Supplement premium or active contribution ● Tier 2 with 20 years City service: Smaller of 80% of City Medicare Supplement premium or active contribution
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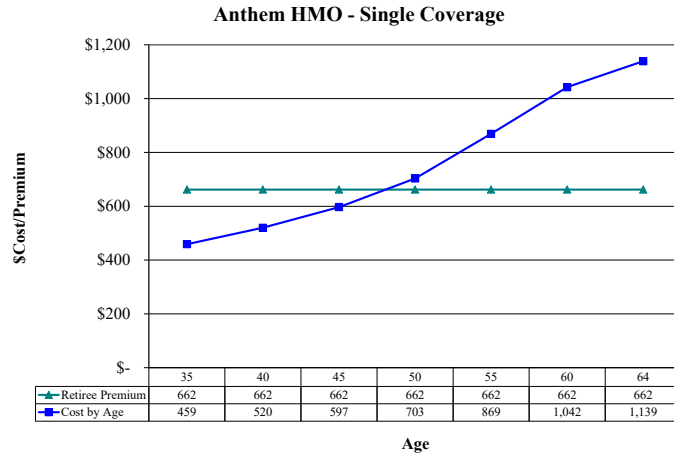
¹ \$627.45, \$1,313.20, & \$1,799.31 for single, 2-party, & family coverage, respectively in 2019.



BENEFIT SUMMARY

- Other OPEB
- No City contribution for retiree dental, vision, life insurance, or Medicare Part B reimbursement

- Implied Subsidy
- Employer cost for allowing retirees to participate at active premium rates
- Active employee premiums subsidize retiree cost



- Active “implied subsidy” included with retiree cost
- Implied subsidy not valued for Medicare premiums



BENEFIT SUMMARY

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PREMIUMS

Monthly Active Premiums²

Medical Plan	2020		
	Single	2-Party	Family
Blue Shield HMO	\$ 678.77	\$ 1,420.77	\$ 2,027.72
Blue Shield PPO	653.32	1,367.52	1,951.86
Kaiser	696.03	1,388.00	1,803.19

Pre-65 Retiree Premiums

Medical Plan	2020		
	Single	2-Party	Family
Blue Shield HMO	\$ 681.62	\$ 1,423.72	\$ 2,030.67
Blue Shield PPO (\$500/\$1,000)	656.27	1,370.47	1,954.81
Kaiser HMO	698.98	1,390.95	1,806.14

² Effective January 1st, 2020.



PREMIUMS

Monthly Post-65 Retiree Premiums³

Medical Plan	2020		
	Single	2-Party	Family
RetireeFirst/United American and Blue Shield HMO	\$ 328.10	\$ 656.20	\$ 1,337.82
RetireeFirst/United American and Blue Shield PPO	328.10	656.20	1,312.47
RetireeFirst/United American and Kaiser	328.10	656.20	1,355.18
Freedom of Choice ⁴	318.10	636.20	n/a

³ Effective January 1st, 2020.

⁴ City's Contribution.



PARTICIPANT STATISTICS

Participant Statistics - Actives

	Miscellaneous	Fire	Police	Total
■ Count	87	2	26	115
■ Average:				
• Age	42.0	47.9	38.1	41.2
• City Service	9.1	8.7	7.9	8.8
• Entry Age	31.8	38.8	28.2	31.1
• Salary	\$ 54,000	\$ 94,600	\$ 67,200	\$ 57,700
■ Total Salary (000's)	4,700	189	1,747	6,636



PARTICIPANT STATISTICS

Participant Statistics - Actives

	Tier 2	Tier 3	Total
■ Count	64	51	115
■ Average:			
• Age	47.4	33.4	41.2
• City Service	13.8	2.7	8.8
• Entry Age	32.4	29.6	31.1
• Salary	\$ 67,700	\$ 45,200	\$ 57,700
■ Total Salary (000's)	4,330	2,307	6,636



PARTICIPANT STATISTICS

Participant Statistics – Retirees

	Miscellaneous	Fire	Police	Total
■ Count				
• Retired	32	-	1	33
• Disabled	1	-	2	3
• Survivor	<u>4</u>	<u>-</u>	<u>1</u>	<u>5</u>
• Total	37	-	4	41
■ Average:				
• Age	72.4	N/A	68.4	72.0
• Service Retirement Age	57.7	N/A	55.9	57.7
• Disabled Retirement Age	62.8	N/A	46.3	51.8



ACTUARIAL ASSUMPTIONS HIGHLIGHTS

	June 30, 2017 Valuation	June 30, 2019 Valuation
■ Valuation Date	<ul style="list-style-type: none"> ■ June 30, 2017 ■ Fiscal Year 2017/18 & 2018/19 	<ul style="list-style-type: none"> ■ June 30, 2019 ■ Fiscal Years 2019/20 & 2020/21
■ Funding Policy	<ul style="list-style-type: none"> ■ Pay-Go + 15% of Cash Benefit Payments contributed to CERBT annually (Option 1) 	<ul style="list-style-type: none"> ■ Pay-Go + 25% of Cash Benefit Payments contributed to CERBT annually (Option 1)
■ General Inflation	<ul style="list-style-type: none"> ■ 2.75% 	<ul style="list-style-type: none"> ■ Same
■ Discount Rate	<ul style="list-style-type: none"> ■ 6.75%⁵ - Long-term expected rate of return on assets for CERBT Option 1 	<ul style="list-style-type: none"> ■ Same

⁵ Based on the City's current funding policy and GASBS 75 Implementation Guide exposure draft Illustration B2, the plan is projected to have sufficient funds to pay projected benefit payments.



ACTUARIAL ASSUMPTIONS HIGHLIGHTS

■ Medical Trend	June 30, 2017 Valuation		June 30, 2019 Valuation			
	<u>Year</u>	<u>Non-Medicare</u> <u>All Plans</u>	<u>Medicare</u>	<u>Year</u>	<u>Non-Medicare</u> <u>All Plans</u>	<u>Medicare</u>
	2017	Actual Premiums		2017	n/a	
	2018	7.50%	6.50%	2018	6.50%	n/a
	2019	7.50%	6.50%	2019	Actual Premiums	
	2020	7.50%	6.50%	2020	Actual Premiums	
	2021	7.25%	6.30%	2021	7.25%	6.30%
	2022	7.00%	6.10%	2022	7.00%	6.10%
		↓	↓		↓	↓
	2030	5.20%	4.70%	2030	5.20%	4.70%
	31-35	5.05%	4.60%	31-35	5.05%	4.60%
	36-45	4.90%	4.50%	36-45	4.90%	4.50%
	46-55	4.75%	4.45%	46-55	4.75%	4.45%
	56-65	4.60%	4.40%	56-65	4.60%	4.40%
	66-75	4.30%	4.20%	66-75	4.30%	4.20%
	2076+	4.00%	4.00%	2076+	4.00%	4.00%



ACTUARIAL ASSUMPTIONS HIGHLIGHTS

	June 30, 2017 Valuation	June 30, 2019 Valuation
■ Cap Increases	<ul style="list-style-type: none"> ■ Unrepresented active employee contribution: medical trend ■ Dollar caps for Dependents: 3.00% per year 	■ Same
■ Retirement, Mortality, Termination, Disability	<ul style="list-style-type: none"> ■ CalPERS 1997-2011 Experience Study ■ Mortality Improvement Scale MP-2016 	<ul style="list-style-type: none"> ■ CalPERS 1997-2015 Experience Study ■ Mortality Improvement Scale MP-2019
■ Participation at Retirement	<ul style="list-style-type: none"> ■ Currently covered actives: 90% ■ Currently waived actives: 15% 	<ul style="list-style-type: none"> ■ Retire with 20 years of service: 80% ■ Retire with <20 years of service: 70%
■ Medical Plan at Retirement	<ul style="list-style-type: none"> ■ Based on current election ■ 50% with dependent 	■ Same



ACTUARIAL ASSUMPTIONS HIGHLIGHTS

	June 30, 2017 Valuation	June 30, 2019 Valuation
<ul style="list-style-type: none"> ■ Basis for Assumptions 	<ul style="list-style-type: none"> ■ No experience study performed for this plan. ■ CalPERS experience study based on 1997 to 2015 demographic experience ■ Mortality improvement based on most recent Society of Actuaries table ■ Inflation based on our estimate for the Plan's very long time horizon ■ Participation and coverage assumptions based in part on Plan experience ■ Estimated claims costs based on premiums and City's demographics for active employee plan + retiree plans and Axene Health Partners' aging factors ■ Medical Trend: <ul style="list-style-type: none"> ➢ Short-term trend was developed in consultation with Axene Health Partners' healthcare actuaries ➢ Long-term trend was developed using Society of Actuaries' Getzen Model of Long-Run Medical Cost Trends 	



ACTUARIAL METHODS

Method	June 30, 2017 Valuation	June 30, 2019 Valuation
■ Cost Method	■ Entry Age Normal	■ Same
■ Amortization Method	■ N/A	■ N/A – no actuarially determined contribution is calculated
■ Unfunded Liability Amortization	■ N/A	■ N/A – no actuarially determined contribution is calculated
■ Actuarial Value of Assets	■ Market Value of Assets	■ Same



ASSETS

Market Value of Plan Assets

(Amounts in 000's)

	15/16	16/17	17/18	18/19
■ Market Value (Beginning of Year)	\$ -	\$ 49	\$ 103	\$ 161
• Contributions	46	46	51	53
• Benefit Payments	-	-	-	-
• Expenses	(0)	(0)	(0)	(0)
• Investment Earnings	3	9	7	15
■ Market Value (End of Year)	49	103	161	230
■ Approximate Annual Return⁶	14.1%	12.3%	5.6%	8.2%

⁶ Net of expenses.



RESULTS

Actuarial Obligations

June 30, 2019

(Amounts in 000's)

	6/30/13	6/30/15	6/30/17	6/30/19
■ Discount Rate	4.00%	4.50%	6.75%	6.75%
■ Present Value of Benefits				
• Actives (future retirees)	\$ 19,165	\$ 11,993	\$ 5,840	\$ 4,212
• Retirees	<u>5,933</u>	<u>4,474</u>	<u>4,769</u>	<u>4,052</u>
• Total	25,098	16,467	10,609	8,264
■ Actuarial Accrued Liability				
• Actives (future retirees)	8,491	6,345	3,894	2,985
• Retirees	<u>5,933</u>	<u>4,474</u>	<u>4,769</u>	<u>4,052</u>
• Total	14,424	10,819	8,663	7,037
■ Value of Assets	-	-	103	230
■ Unfunded AAL	14,424	10,819	8,560	6,807
■ Funded Ratio	n/a	n/a	1.2%	3.3%
■ Normal Cost	907	546	254	152
■ Pay-As-You-Go Cost – Cash	113	230	300	304
■ Pay-As-You-Go Cost – Implied Subsidy	23	61	114	109



RESULTS

(Gain)/Loss Analysis

(Amounts in 000's)

	AAL	(AVA)	UAAL
■ 6/30/2017 Actual Value	\$ 8,663	\$ (103)	\$ 8,560
■ 6/30/2019 Expected Value	9,550	(213)	9,337
■ Experience (Gains)/Losses			
• Demographic – mainly fewer retirees electing coverage than expected.	(615)	-	(615)
• 2020 premiums below expected	(1,489)	-	(1,489)
■ Assumption Changes			
• Participation at Retirement	(424)	-	(424)
• CalPERS 1997-2015 Experience Study	(28)	-	(28)
• Updated mortality improvement: MP-19	42	-	42
■ Asset (Gains)/Losses	-	(16)	(16)
■ Total Changes	(2,514)	(16)	(2,529)
■ 6/30/2019 Actual Value	7,037	(230)	6,807



RESULTS

10-Year Contribution Projection

(Amounts in 000's)

Fiscal Year End	Cash Benefit Payments	Implied Subsidy Benefit Payments	Trust Contributions: 25% of Cash Benefit Payments ⁷	Total Contributions
2020	\$ 304	\$ 109	\$ 46	\$ 459
2021	306	76	77	459
2022	317	81	79	477
2023	336	102	84	522
2024	339	103	85	527
2025	352	103	88	543
2026	370	112	93	575
2027	375	92	94	561
2028	401	81	100	582
2029	418	86	105	609

⁷ 15% of cash benefit payments in FY19/20, 25% of cash benefit payments starting fiscal year 20/21.



RESULTS

Actuarial Obligations

June 30, 2019

(Amounts in 000's)

	Cash Subsidy	Implied Subsidy	Total Cost
■ Present Value of Benefits			
• Actives (future retirees)	\$ 2,889	\$ 1,101	\$ 4,212
• Retirees	<u>3,745</u>	<u>307</u>	<u>4,052</u>
• Total	6,634	1,408	8,264
■ Actuarial Accrued Liability (AAL)			
• Actives (future retirees)	2,092	738	2,985
• Retirees	<u>3,745</u>	<u>307</u>	<u>4,052</u>
• Total	5,837	1,045	7,037
■ Value of Assets⁸	<u>190</u>	<u>34</u>	<u>230</u>
■ Unfunded Actuarial Accrued Liability	5,647	1,011	6,807
■ Normal Cost	99	53	152
■ Pay-As-You-Go Cost	304	109	413

⁸ Allocated in proportion to AAL



ACTUARIAL CERTIFICATION

This report presents the City of Reedley Retiree Healthcare Plan ("Plan") June 30, 2019 actuarial valuation. The purpose of this valuation is to determine the Plan's June 30, 2019 Funded Status,

Information provided in this report may be useful to the City for the Plan's financial management. Future valuations may differ significantly if the Plan's experience differs from our assumptions or if there are changes in Plan design, actuarial methods, or actuarial assumptions. The project scope did not include an analysis of this potential variation.

The valuation is based on Plan provisions, participant data, and asset information provided by the City as summarized in this report, which we relied on and did not audit. We reviewed the participant data for reasonableness.

To the best of my knowledge, this report is complete and accurate and has been conducted using generally accepted actuarial principles and practices. As a member of the American Academy of Actuaries meeting the Academy Qualification Standards, I certify the actuarial results and opinions herein.

Respectfully submitted,

Mary Elizabeth Redding

Mary Elizabeth Redding, FSA, MAAA, FCA, EA
Vice President
Bartel Associates, LLC
July 24, 2020



EXHIBITS

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DATA SUMMARY

Current Retiree Medical Coverage Pre 65

Plan	Single	2-Party	Family	Total
Blue Shield HMO	3	5	-	8
Blue Shield PPO	-	1	-	1
Kaiser HMO	1	-	-	1
Waived	-	-	-	1
Total	4	6	-	11



DATA SUMMARY

Current Retiree Medical Coverage
Post 65

Plan	Single	2-Party	Family	Total
Blue Shield HMO	12	14	1	27
Blue Shield PPO	-	1	-	1
Kaiser HMO	-	-	-	-
Freedom of Choice	-	2	-	2
Waived	-	-	-	-
Total	12	17	1	30



DATA SUMMARY

Covered Retiree Medical Plan Coverage by Age
Miscellaneous

Age	Medical Coverage			
	Single	2-Party	Family	Total
Under 50	-	-	-	-
50-54	-	-	-	-
55-59	-	2	-	2
60-64	2	4	-	7
65-69	3	5	-	8
70-74	1	5	1	7
75-80	1	3	-	4
80-85	3	1	-	4
85 & Over	4	1	-	5
Total	14	21	1	37
Average Age	77.3	69.5	73.7	72.4



DATA SUMMARY

Covered Retiree Medical Plan Coverage by Age
Safety

Age	Medical Coverage			
	Single	2-Party	Family	Total
Under 50	-	-	-	-
50-54	-	-	-	-
55-59	-	-	-	-
60-64	2	-	-	2
65-69	-	-	-	-
70-74	-	2	-	2
75-80	-	-	-	-
80-85	-	-	-	-
85 & Over	-	-	-	-
Total	2	2	-	4
Average Age	64.0	72.8	N/A	68.4



DATA SUMMARY

Actives by Age and Service
Miscellaneous

Age	City Service							Total
	< 1	1-4	5-9	10-14	15-19	20-24	≥ 25	
< 25	3	1	-	-	-	-	-	4
25-29	-	9	2	-	-	-	-	11
30-34	1	9	3	2	-	-	-	15
35-39	-	9	2	5	-	-	-	16
40-44	-	1	3	1	1	-	-	6
45-49	1	2	3	2	-	1	-	9
50-54	-	-	2	5	1	-	-	8
55-59	-	-	2	1	2	-	6	11
60-64	-	-	2	-	-	2	1	5
≥ 65	-	-	1	-	-	1	-	2
Total	5	31	20	16	4	4	7	87



DATA SUMMARY

Actives by Age and Service
Safety

Age	City Service							Total
	< 1	1-4	5-9	10-14	15-19	20-24	≥ 25	
< 25	1	1	-	-	-	-	-	2
25-29	1	3	-	-	-	-	-	4
30-34	-	6	-	-	-	-	-	6
35-39	1	2	2	1	-	-	-	6
40-44	-	-	-	-	1	-	-	1
45-49	-	-	1	1	-	2	1	5
50-54	-	1	-	1	-	1	-	3
55-59	-	-	-	-	-	-	-	-
60-64	-	-	-	1	-	-	-	1
≥ 65	-	-	-	-	-	-	-	-
Total	3	13	3	4	1	3	1	28



DATA SUMMARY

Actives by Age and Service
Total

Age	City Service							Total
	< 1	1-4	5-9	10-14	15-19	20-24	≥ 25	
< 25	4	2	-	-	-	-	-	6
25-29	1	12	2	-	-	-	-	15
30-34	1	15	3	2	-	-	-	21
35-39	1	11	4	6	-	-	-	22
40-44	-	1	3	1	2	-	-	7
45-49	1	2	4	3	-	3	1	14
50-54	-	1	2	6	1	1	-	11
55-59	-	-	2	1	2	-	6	11
60-64	-	-	2	1	-	2	1	6
≥ 65	-	-	1	-	-	1	-	2
Total	8	44	23	20	5	7	8	115



ACTUARIAL ASSUMPTIONS

	June 30, 2017 Valuation	June 30, 2019 Valuation																																									
<ul style="list-style-type: none"> ■ Payroll Increases 	<ul style="list-style-type: none"> ■ 3% Aggregate increase ■ CalPERS 1997-2011 Experience Study for Merit and Longevity increase 	<ul style="list-style-type: none"> ■ Same ■ CalPERS 1997-2015 Experience Study for Merit and Longevity increases 																																									
<ul style="list-style-type: none"> ■ 2019/20 Medical Claims Cost 	<ul style="list-style-type: none"> ■ Sample monthly claims costs by age: Non-Medicare Eligible <table border="1" style="margin-left: auto; margin-right: auto; border-collapse: collapse;"> <thead> <tr> <th rowspan="2">Age</th> <th colspan="2">Anthem HMO</th> <th colspan="2">Anthem PPO</th> <th colspan="2">Kaiser</th> </tr> <tr> <th>M</th> <th>F</th> <th>M</th> <th>F</th> <th>M</th> <th>F</th> </tr> </thead> <tbody> <tr> <td>50</td> <td>\$611</td> <td>\$800</td> <td>\$ 699</td> <td>\$ 924</td> <td>\$710</td> <td>\$929</td> </tr> <tr> <td>55</td> <td>809</td> <td>942</td> <td>948</td> <td>1,102</td> <td>940</td> <td>1,093</td> </tr> <tr> <td>60</td> <td>1,021</td> <td>1,070</td> <td>1,216</td> <td>1,265</td> <td>1,186</td> <td>1,242</td> </tr> <tr> <td>64</td> <td>1,136</td> <td>1,142</td> <td>1,365</td> <td>1,358</td> <td>1,320</td> <td>1,326</td> </tr> </tbody> </table>	Age	Anthem HMO		Anthem PPO		Kaiser		M	F	M	F	M	F	50	\$611	\$800	\$ 699	\$ 924	\$710	\$929	55	809	942	948	1,102	940	1,093	60	1,021	1,070	1,216	1,265	1,186	1,242	64	1,136	1,142	1,365	1,358	1,320	1,326	
Age	Anthem HMO		Anthem PPO		Kaiser																																						
	M	F	M	F	M	F																																					
50	\$611	\$800	\$ 699	\$ 924	\$710	\$929																																					
55	809	942	948	1,102	940	1,093																																					
60	1,021	1,070	1,216	1,265	1,186	1,242																																					
64	1,136	1,142	1,365	1,358	1,320	1,326																																					
<ul style="list-style-type: none"> ■ Medicare Eligible Rate 	<ul style="list-style-type: none"> ■ 100% ■ Everyone eligible for Medicare will elect Part B coverage 	<ul style="list-style-type: none"> ■ Same 																																									
<ul style="list-style-type: none"> ■ Spouse Coverage at Retirement 	<ul style="list-style-type: none"> ■ Currently covered: Same as current elections ■ Currently waived: 80% 	<ul style="list-style-type: none"> ■ Same 																																									



ACTUARIAL ASSUMPTIONS

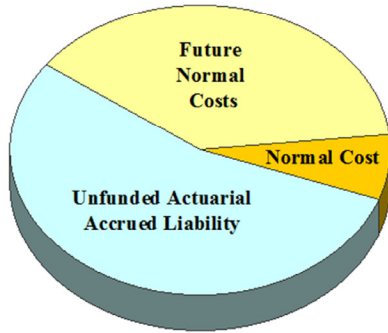
	June 30, 2017 Valuation	June 30, 2019 Valuation
<ul style="list-style-type: none"> ■ Surviving Spouse Participation 	<ul style="list-style-type: none"> ■ 100% if participant has spouse coverage 	<ul style="list-style-type: none"> ■
<ul style="list-style-type: none"> ■ Dependent (Child) Coverage at Retirement 	<ul style="list-style-type: none"> ■ Pre-65 <ul style="list-style-type: none"> • Actives: Not covered • Retirees: same as current coverage until 65 ■ Post-65: 0% 	<ul style="list-style-type: none"> ■ Same
<ul style="list-style-type: none"> ■ Spouse Age 	<ul style="list-style-type: none"> ■ Current actives: males 3 years older than females ■ Current retirees: males 3 years older than females if spouse birth date not provided 	<ul style="list-style-type: none"> ■ Same
<ul style="list-style-type: none"> ■ Future New Participants 	<ul style="list-style-type: none"> ■ None: closed group 	



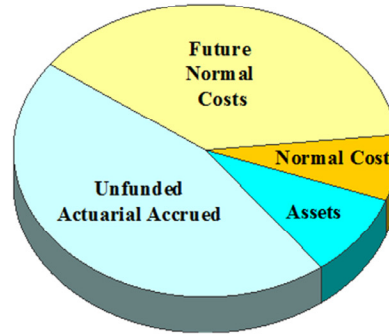
DEFINITIONS

Present Value of Benefits

**Present Value of Benefits
(Without Plan Assets)**



**Present Value of Benefits
(With Plan Assets)**



DEFINITIONS

<p>■ Present Value of Benefits (PVB)</p>	<ul style="list-style-type: none"> When an actuary prepares an actuarial valuation, (s)he first gathers participant data (including active employees, former employees not in payment status, participants and beneficiaries in payment status) at the valuation date (for example June 30, 2017). Using this data and actuarial assumptions, the actuary projects future benefit payments. (The assumptions predict, among other things, when people will retire, terminate, die or become disabled, as well as what salary increases, general (and healthcare) inflation and investment return might be.) Those future benefit payments are discounted, using expected future investment return, back to the valuation date. This discounted present value is the plan's present value of benefits. It represents the amount the plan needs as of the valuation date to pay all future benefits – if all assumptions are met and no future contributions (employee or employer) are made.
<p>■ Actuarial Accrued Liability (AAL)</p>	<ul style="list-style-type: none"> This represents the portion of the present value of benefits that participants have earned (on an actuarial, not actual, basis) through the valuation date.



DEFINITIONS

<p>■ Plan Assets</p>	<ul style="list-style-type: none"> • This includes funds that have been segregated and restricted in a trust so they can only be used to pay plan benefits.
<p>■ Unfunded Actuarial Accrued Liability (UAAL)</p>	<ul style="list-style-type: none"> • This is the difference between the Actuarial Accrued Liability and Plan Assets. This represents the amount of the Actuarial Accrued Liability that must still be funded. If the Plan Assets exceed the Actuarial Accrued Liability, the plan has Surplus Assets.
<p>■ Normal Cost (NC)</p>	<ul style="list-style-type: none"> • The Normal Cost represents the portion of the present value of benefits expected to be earned (on an actuarial, not actual, basis) in the coming year.
<p>■ Actuarial Cost Method</p>	<ul style="list-style-type: none"> • This determines the method in which benefits are actuarially earned (allocated) to each year of service. It has no effect on the Present Value of Benefits, but has significant effect on the Actuarial Accrued Liability and Normal Cost. The City's June 30, 2019 retiree healthcare valuation was prepared using the Entry Age Normal cost method. Under the Entry Age Normal cost method, the Plan's Normal Cost is developed as a level percentage of payroll throughout the participant's working lifetime.



DEFINITIONS

<p>■ PayGo Cost</p>	<ul style="list-style-type: none"> • Cash subsidy is employer pay-as-you-go benefit payments for retirees • Implied subsidy is difference between actual cost of retiree benefits and retiree premiums subsidized by active employee premiums
<p>■ Implied Subsidy</p>	<ul style="list-style-type: none"> • An implied subsidy exists when the premium for a group of early retirees is determined by aggregating their experience with active employees. GASBS 75 requires that the implied subsidy for retirees be included in the AAL and the ADC.
<p>■ Annual Determined Contribution (ADC)</p>	<ul style="list-style-type: none"> • GASBS 75 does not require an agency to make up any shortfall (unfunded liability) immediately or take an immediate credit for any excess assets (surplus). Instead, the unfunded liability or surplus is amortized over time. An agency's Annual Determined Contribution is simply the current employer Normal Cost plus an amortization of the unfunded liability or less an amortization of the excess assets. In other words, the contribution is the value of benefits earned during the year plus an amount to keep the plan on track for funding. • Contributing the ADC is not actually required, but the difference between the ADC and amounts contributed will increase the unfunded liability, as well the UAAL amortization, for the following year.

